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C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 001383

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SUBJECT: THE TER-PETROSSIAN SCENARIO: A LONG SHOT, BUT
STILL A SHOT

YEREVAN 00001383 001.2 OF 003

Classified By: CDA Joseph Pennington, reasons 1.4 (b,d)

11. (C) SUMMARY: Ex-president Levon Ter-Petrossian (LTP) has become the leading opposition candidate for president. His chances of success -- whether at the ballot box or with a street protest strategy after the fact -- remain small, but he should not be dismissed prematurely. LTP enjoys unique advantages, stature, and credibility unavailable to other opposition figures, notwithstanding his very high unfavorability ratings. LTP's aura as former president leads many Armenians to consider him "serious" in a way that no opposition rival can match, and indeed many infer he has greater capacity to fight back against the administrative resources and dirty politics of the ruling establishment. Meanwhile, the ruling party candidate and presumed successor, PM Serzh Sargsian, is unloved and has few advantages other than sitting atop the regime's potent political machine. In the (still quite unlikely) event that the Sargsian power monolith started to show cracks, it is possible his juggernaut could collapse with surprising speed. END SUMMARY

12. (C) THE ONLY GAME IN TOWN: The most interesting element of the pre-election political scene is the extent to which former President Levon Ter-Petrossian's candidacy (even before it was formally announced) evaporated any serious expectations for any other opposition candidates. Once LTP's plans started to become clear, a surprising number of individuals and minor parties which had broken away from the long-stagnant Armenian National Movement rushed immediately back into LTP's orbit. (NOTE: As so often, the Armenian Revolutionary Federation or "Dashnaktsutyun" party is an exception. It occupies its own unique niche in the political spectrum, as not really pro-governmental and not really oppositional. The Dashnaks stubbornly fly their own flag and hold on to their unassailable but unexpandable base of nationalist supporters. And they show what they like on their Yerkir Media television network, notably including fair coverage of LTP's speeches so far this fall. END NOTE)

13. (C) AN UPHILL CLIMB: Levon Ter-Petrossian has a heavy overhang of public unfavorability ratings to overcome. A majority of Armenians revile him as the man who presided over Armenia's profound economic collapse, reducing the nation to a desperate, hard-scrabble daily struggle to survive. Other millstones hanging around his neck include: popular outrage over corruption during his administration, the widespread conviction that LTP stole the 1996 election before sending in tanks to crush the ensuing protests, Armenia's privatization process that was perceived to transfer the nation's wealth into a few well-connected hands, and the perception that he was "soft" on Nagorno Karabakh and on Turkey. LTP's

perceived sins are many, and President Kocharian and the great bulk of Armenian television stations have leaped to remind voters of them.

14. (C) AS THE DATA SHOW: The latest USAID-funded, IRI/Gallup-sponsored public opinion data (October 27-November 3) confirm LTP's low public approval. LTP came in last in public approval, at 17 percent, and highest in disapproval, at 78 percent (a statistically-insignificant two points worse on both measures than he did in the July poll). Asked an open-ended question of "Which Armenian politicians would you never vote for," LTP's score was by far the worst, with 31 percent (up from 23 percent in July and 18 percent in March) saying they would never vote for him. Serzh Sargsian came in third worst, with 10 percent saying they would never vote for the current prime minister. Interestingly, LTP's re-entrance into politics has caused public interest in the political process to spike upward, with 41 percent (up from 28) of respondents saying they now have a "high interest." (COMMENT: We must here caveat that survey data, however rigorously collected, must be suspected of some pro-regime bias, as some voters may not be comfortable revealing anti-government political leanings to a polltaker unknown to them. END COMMENT)

15. (C) BUT THERE'S JUST SOMETHING ABOUT LTP: Without minimizing the negatives, it is important not to count LTP out. There is an aura about the first president of independent Armenia that inspires a certain love-hate relationship among the Armenian populace. Even today Armenians tend to voice grudging respect for LTP's intellect, his oratorical skills, and political smarts. And there is definitely an intangible sense of stature, presence, and deference that many Armenians concede to the ex-president, even though they may dislike him. While many Armenians, nursing bitter disillusionment and crushed idealism, do

YEREVAN 00001383 002.2 OF 003

simply despise LTP, we wonder to what extent there is a thin line between love and hate. With the right formula, the canny campaigner might just be able to reignite the old flame among voters who had convinced themselves that no one could challenge what many see as the corrupt/cronyist succession of unchecked power from Kocharian to Sargsian.

16. (C) RALLYING THE OPPOSITION: LTP has already, in our view, all but secured the first necessary but not sufficient condition, which is to establish himself as the only viable alternative to Serzh Sargsian. He has won to his side what we might call the martyr opposition, the brother (Aram Sargsian) and son (Stepan Demirchian) of the highly popular late prime minister Vazgen Sargsian and parliament speaker Karen Demirchian, both assassinated in the 1999 parliament shootings. Though Aram and Stepan are political spent forces in their own cause, they remain among the best-known names of Armenia's traditional opposition. LTP has given up (he told polchief Nocv 26) on his goal of winning over Vazgen Manukian of the National Democratic Union. Manukian commands little political support, but having him endorse LTP would have been a powerful gesture, since it is Manukian who is universally believed to have rightfully beaten LTP in the rigged 1996 presidential election. Manukian's support would have represented some degree of absolution for LTP's past sins, but it is not to be, as Manukian will doggedly pursue his own quixotic candidacy for the February election. Artur Baghdassarian is a bit of a wild card, still enjoying high approval ratings (58 percent favorable, 38 percent unfavorable) in our latest survey, but Baghdassaryan is seen (by elites) as a mercenary who will sell his support to whomever is most likely to win. The last significant opposition chip in play is the popular Raffi Hovannissian (64 percent favorable, 31 percent unfavorable), who is ineligible to run for president this year, and who may be attracted by LTP's pledge to serve only three years. LTP told polchief November 26 he expected Hovannissian to join him, but it was not yet a sure thing. In any event, LTP has enough

opposition support and momentum already to dominate the opposition field.

17. (C) "ADMINISTRATIVE RESOURCES": The widespread presumption among voters and political classes alike is that the government's "administrative resources" (a code which in Armenia includes the ordinary powers of incumbency, the ruling party machinery, television dominance, regional and local government organs, and the security services) will be a decisive factor in securing victory for the ruling party's anointed successor. However, in the case of LTP's candidacy, this can cut both ways. In the first place, authorities' overly heavy-handed instincts risk a public opinion backlash, as voters may feel it is a shabby way to treat the first president. We have some anecdotal accounts already of diehard LTP-haters who have begun to consider voting for him out of pique over the government's actions against LTP backers. Secondly, many voters assume that LTP has sympathizers and closet supporters seeded throughout the government and security services, who may deflect, undermine, or provide warning of administration dirty tricks. This perception may have considerable truth, since large numbers of influential figures in the senior and middle ranks of the government got to where they are in LTP's time. We suspect the public perception outstrips reality, but may embolden people who would never dare support a Raffi Hovannissian or Artur Baghdassarian for fear of reprisals might dare to support of LTP, believing he has greater power to protect them. Furthermore, in a country where Russian influence is deemed potent, many would tend to see LTP as a choice acceptable to Russia (sufficient to assure benign neutrality from Moscow) as a Sargsian alternative, whereas many other opposition leaders would be suspected of being too pro-American for Russian taste.

18. (C) SHOW ME THE MONEY: LTP is also assumed (probably correctly) to be able to get sufficient financial help from sympathetic oligarchs who made their fortunes during his rule. The incredibly wealthy Khachatrian "Grzo" Sukiasian has openly supported LTP, and there are doubtless others afraid to fly the LTP flag openly, who nonetheless might quietly slip some real money LTP's way to help fund a campaign. The rest of the opposition field is united in relative (and often abject) poverty, running shoestring organizations.

19. (C) THE POWER OF MOMENTUM: The most compelling argument, however, is that if an LTP movement really started to get

YEREVAN 00001383 003.2 OF 003

traction, we strongly suspect that much of Armenia's ruling elite (from politicians to senior bureaucrats to security services to wealthy oligarchs) is at least potentially willing to change its stripes and break the other way. We judge that a very high percentage, perhaps a majority, of Sargsian backers are in his camp out of pure self-interest and venality. So long as Sargsian remains the most secure path toward continued privilege and prosperity for these people, he will enjoy their strong support. However, as LTP himself found in 1998 when he was toppled from power, such loyalties can be remarkably fickle if a new wind starts blowing strongly from another direction. No one, among the key pillars of regime power, may want to be the first or second to break away from Sargsian, but there may be dozens who would be only too happy to be the fifteenth or sixteenth to jump on board a surging LTP bandwagon if one should develop. Significant public opinion momentum may be needed to jumpstart the process, but may ultimately be ancillary to whether LTP can steal away enough of the bricks and mortar (political and economic bases) that constitute the real underpinnings of the current regime's power. If LTP could negate Sargsian's "administrative resources" advantages, he could conceivably win over enough public opinion to be a competitive candidate.

110. (C) FOOD FOR THOUGHT -- A LAST 'X' FACTOR: A final

ingredient to this political stew is difficult to measure -- that is, to what extent President Kocharian and PM Sargsian are pulling together in the same harness. It is inconceivable that Kocharian would align himself with LTP. However, if Kocharian supports Sargsian with something less than wholehearted efforts, that may create additional vulnerabilities within the ruling structures. There have been tantalizing hints of this, most notably Kocharian's all-but-declared backing of the Prosperous Armenia party in what became a failed bid to seriously rival the ruling Republicans. Another small hint was that former NK warlord (and notorious old Sargsian rival) Samvel Babayan was released from prison in 2006, in a move that many believe only Kocharian could have engineered. LTP himself told poloffs (though we must consider the source) that Kocharian and Sargsian have never been "friends," only "accomplices." To be sure, Kocharian and Sargsian have been the closest of political partners for a very long time, and they doubtless have lots of skeletons they have helped each other tuck away in various closets over the years. They have powerful mutual self-interest in cooperation. That said, both are strong and ambitious figures, whose political goals may be becoming increasingly incompatible: Sargsian's in being a fully in-charge and powerful president, Kocharian's in retaining his place as the dominant political figure, (whatever position he may hold). It is most likely that the two will unite to fight down the LTP challenge and work out their differences later, but their conflicting interests (as we read it) add a further element of unpredictability to the political dynamic.

¶11. (C) SO, WHAT ARE THE CHANCES?: We still assess the overwhelming likelihood is that PM Sargsian will indeed sweep into power, either fairly or otherwise securing a strong electoral majority. Sargsian's polling numbers (57 percent favorable, 40 percent unfavorable) remain far ahead of LTP's, though his support is clearly more wide than it is deep. We place LTP's chances at no more than ten to twenty percent. LTP's success will depend on his being both adroit and very lucky, as lots of variables would have to break just his way for him to win. We do not underestimate the wily old fox, who successfully outmaneuvered the Soviet regime in 1989-90. The safe money and overwhelming odds remain, however, with Serzh Sargsian.
PENNINGTON